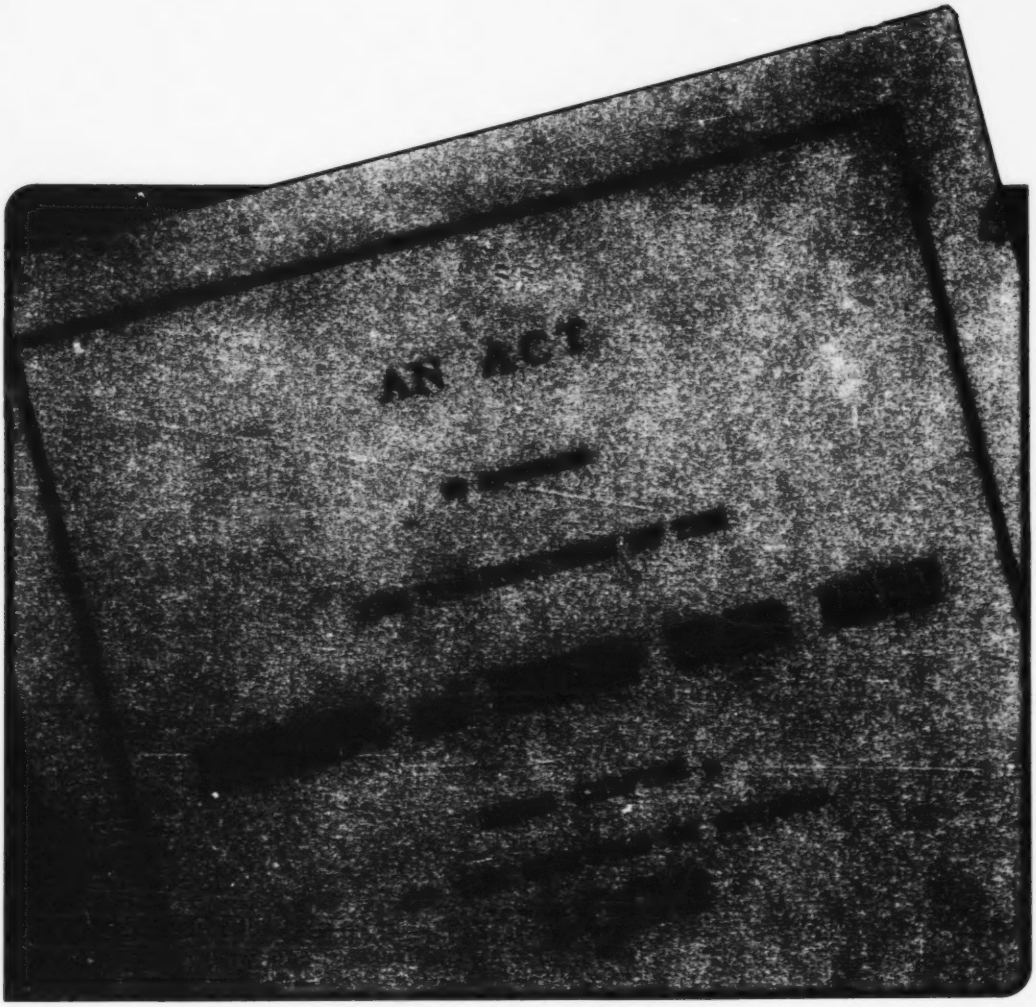
Ontario Northland
TRANSPORTATION COMMISSION



# PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Premier

Honourable Leo Bernier, Minister
Ministry of Northern Affairs

# 82nd
# ANNUAL REPORT
# of the
# ONTARIO NORTHLAND
# TRANSPORTATION
# COMMISSION

for the year ending
December 31, 1982

ONTARIO

MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:
I beg leave to present the 82nd annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1982.

Respectfully submitted,

Leo Bernier,
Minister.

June 2, 1983

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier,
Minister of Northern Affairs,
Parliament Buildings,
Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1982 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

J.W. Spooner,
Chairman.

May 26, 1983

# ONTARIO NORTHLAND TRANSPORTATION COMMISSION

J.W. Spooner, Chairman, Timmins ... appointed August 7, 1982
W.J. Mathews, Chairman, Cobalt ... retired August 6, 1982
P.A. Burns, Commissioner, Dryden
N.G. Forth, Commissioner, North Bay
L.A. Foucault, Commissioner, Espanola
N.M. Karam, Commissioner, Cochrane
M.R. Wright, Commissioner, Sault Ste. Marie

PRINCIPAL OFFICERS
R.O. Beatty, Chief Executive Officer
P.A. Dyment, General Manager
D.E. MacDougall, Assistant General Manager
K.J. Moorehead, Senior Operating Officer - Rail
K.J. Wallace, Senior Director, Passenger Services and Planning
M.C. Hicks, Senior Director, Freight Marketing

# REPORT OF THE GENERAL MANAGER

Mr. J. W. Spooner
Chairman

North Bay, Ontario
May 6, 1983

The following report of Ontario Northland Transportation Commission operations, year ending December 31, 1982 is respectfully submitted.

## Consolidated Net Income

| | 1982 | 1981 | Increase (Decrease) |
|---|---|---|---|
| | $ | $ | $ |
| Commercial Operations: | | | |
| Rail Freight | 2,851,461 | 8,199,653 | (5,348,192) |
| Express | (323,925) | (378,758) | 54,833 |
| Telecommunications | 9,315,466 | 6,710,600 | 2,604,866 |
| Bus | 270,062 | 192,751 | 77,311 |
| Transport (Star Transfer) | (853,947) | (280,407) | (573,540) |
| Lake Nipissing Marine | (97,867) | (100,382) | 2,515 |
| Hannah Bay Camp | 14,500 | 23,981 | (9,481) |
| Non-Commercial Operations: | | | |
| Rail Passenger | 1,598,429 | 2,749,150 | (1,150,721) |
| norOntair | — | — | — |
| Owen Sound Marine | — | — | — |
| Remote North Projects | — | — | — |
| Moosonee Ferry Service | — | — | — |
| Net Income Before Interest on Debt | 12,774,179 | 17,116,588 | (4,342,409) |
| Less: Net Interest on Debt | (874,738) | 1,113,180 | 1,987,918 |
| Extraordinary Items | — | 51,695 | 51,695 |
| Net Income for the Year | 13,648,917 | 15,951,713 | (2,302,796) |

### General

The net income of $13,648,917 earned during the year was only 1½% below the targeted net income figure the Commission had established for 1982.

Revenues from freight traffic, both rail and highway transport, were below expectations because of reduced activity in the mining and forestry business in Northeastern Ontario. Expenditure curtailment and cost improvement went a long way to offset the reduced revenue.

The Communications branch enjoyed another successful year and once again made a significant contribution to the Commission's earnings.

Interest income was greater than anticipated due to high rates of interest earned on surplus funds.

Other operations were near their objectives for the year.

Capital expenditures during the year totalled $20.3 million. This included $4.6 million for locomotives and $2.2 million for boxcars. Roadway renewal and upgrading amounted to $4.9 million and $5.7 million was spent on Communications facilities.

During 1982 improvements to older pensions was provided and an additional 4% ad hoc increase was made to all pensions in effect prior to December 31, 1980.

The year 1983 is expected to be much the same as 1982 in activity with financial results to be slightly lower, and capital expenditures near $14 million.

On the following pages we have provided more specific detail.

Yours truly,
P.A. Dyment,
General Manager.

## REVIEW OF OPERATIONS

### GENERAL

After 50 distinguished years of railroading, Bob Beatty who rose through the ranks to become General Manager and Chief Executive Officer, retired. His devotion to Ontario Northland and his tireless efforts towards helping it achieve its objectives, in a warm, human way, will be long remembered.

### RAIL SERVICES

Throughout 1982 the Mechanical Department performed normal maintenance efforts and also combined a program of overhaul and refurbishing equipment. Four locomotives, three passenger cars and ninety-eight freight cars were overhauled. Three coaches, which had been retired after many years of revenue service, were transformed and began new lives as recreation cars for summer work gangs. Another serviceable coach was extensively modified and became a modern entertainment car for use on the Moosonee Excursion train.

The locomotive fleet was increased during 1982 by the purchase of four new 2,000 h.p. locomotives built in London, Ontario. The freight carrying capability of Ontario Northland was significantly increased with the purchase of 106 three year old 75-ton boxcars.

An excellent working relationship between Ontario Northland and GO Transit continued during 1982 when Mechanical Department forces completed a contract initiated in 1981 for the overhaul of 16 GO Transit locomotive trucks. In addition, Ontario Northland undertook to construct three power units used in connection with this locomotive fleet.

The Urban Transportation Development Corporation became the second major contract customer of the Mechanical Department during 1982 when contracts were negotiated for Ontario Northland participation in the testing of an UTDC developed freight car truck and for some locomotive and coach work.

The Maintenance of Way Department installed 12.5 miles of new rail and 4 miles of used rail. Some 57,000 rail ties were replaced during the year.

A program of rock ballasting between Cochrane and Fraserdale continued with the installation of some 30,000 tons of rock between Mileages 11 and 23.

During 1982, two additional hot box detector installations were added to the existing ten already in service. The system as it now stands affords a full measure of protection to all moderate and heavy traffic portions of our lines.

Throughout the year, the Transportation Department continued its efforts to increase the efficiency of train operations and maximize locomotive and car utilization. Less freight trains, but longer ones, paid handsome expense benefits.

## TELECOMMUNICATIONS

Traditionally ordinary long distance service has been the main area of growth. But in 1982, the general economic downturn finally impacted on the Telecommunications sector to the extent that negligible increase over 1981 in the volume of long distance messages handled was experienced. Revenue increases are primarily due to rate adjustments in late 1981 and 1982. On the other hand, leased line services continued to contribute significantly to revenues as government agencies, financial institutions and other decentralized businesses turned to telecommunications services in order to realize the financial and operational gains available from automation of their services. The 1982 net position was abnormally enhanced by unusual non-recurring payments for certain new services, and by expense savings resulting from stringent restraint efforts.

During 1982, modern telecommunications services were extended to the Detour Mine project with the completion of construction of a ninety-mile microwave system from Cochrane. Approximately 140 existing subscribers and residents in the Temagami Lakes resort area had their exchange service upgraded to dial operation. Two private mobile radio systems were completely replaced using modern technology. A latest state of the art computer installation was completed for partial replacement and extension of both internal and external computer operations.

The main challenge now before the Division is to ensure that its network remains responsive to rapidly changing technology and the enhanced customer service requirements and consumer demands. To this end, a progressively larger portion of future capital expenditures will be allocated to modernization of plant.

## FREIGHT MARKETING

Depressed economic conditions in Canada and the United States were the main factor contributing to a major reduction in freight traffic.

Freight revenues of $40.3 million were approximately 3% lower than the previous year despite changes in rate levels and efforts to increase business. The 4.9 million tons handled was 14.5% less than the preceding year and represents the lowest tonnage handled on the system since 1967.

The mining and forest industries were among those major sectors particularly affected by the economic situation during the year. As approximately 89% of carload traffic handled on Ontario Northland is attributed to these two industries, the resultant effects of their production reductions and shutdowns were reflected in the freight traffic movements.

The 106 box cars purchased during the year are being used primarily for shipments of refined mining products and expected high utilization will contribute to improved freight service and financial performance.

## EXPRESS SERVICES

Express Services revenues decreased 8½% over the previous year mainly due to a 19% decline in shipments handled. Operating costs decreased however by 10½% from the 1981 total, resulting in improved operating net loss of $50,000.

Six new propane-powered trucks were put into service and along with four sets of highway pup trailers contributed to the reduced costs.

The Kirkland Lake operation was moved into more efficient quarters.

## NORONTAIR

Reflecting economic circumstances and in common with most airlines, norOntair ridership suffered a serious decline in 1982. Traffic was down by 13 percent over the previous year. Although revenues for the year were up by 5 percent over 1981, expenses rose by 15 percent despite a concerted effort to reduce low-yield flying.

In mid-year Nordair Limited, which operates mainline services to Sault Ste. Marie, Thunder Bay and Dryden, experienced a work stoppage. This resulted in additional flying by norOntair in an effort to provide support for the communities affected by the work stoppage. Approximately 1,200 additional flying hours were expended in this effort, and it resulted in a net increase in passenger traffic of approximately 4,100 during the last five months of the year.

## MARINE SERVICES

The highlight of the 1982 operating season for the M.S. Chi-Cheemaun was the introduction of the new overhead retractable mezzanine decks. These new decks did much to eliminate traffic backlogs and ensure an orderly and efficient flow of traffic over the Tobermory - South Baymouth ferry route.

Vehicular and passenger traffic during the year fell somewhat short of expectations. Unit costs increased by 15 percent reflecting higher fuel, labour and material expenses. Steps were taken during the year to reduce operating costs. Revenue yield fell short of forecast due in part to the general economic circumstances.

Despite general economic conditions 1982 was the most successful season for the Chief Commanda II to date. A new marketing theme, "Come Sail a Legend", was further developed and this appeared to have a positive effect on passenger traffic. At the same time a concerted marketing effort resulted in a solid improvement in charter traffic. Improved revenue yield and ridership combined with good cost control produced the lowest net loss on operations since the introduction of the new service in 1975.

The Moosonee ferry service utilizing the M.V. Manitou Island II completed its sixth year of service and produced a good result. Enhanced revenues are a result of increased truck traffic and this, combined with sound mechanical performance produced a net result better than the budgeted forecast.

## BUS OPERATIONS

Despite a shortfall in projected regular and charter passengers, as well as Bus Parcel Express (BPX), gross revenues increased 7.6% over the previous year. The increase in Operating Expenditures was held at 4.8%.

Packaged tours to the Canadian East and West Coast and the United States showed a marked improvement over 1981 with a revenue increase of 18%.

Total miles decreased from 1,952,646 in 1981 to 1,854,706 for the current year, due in part to a decrease in the number of charters operated.

Three new buses were purchased with three older units being sold, maintaining the existing fleet at eighteen units.

## TOURISM AND PUBLIC AFFAIRS

The Polar Bear Express experienced a decline in traffic of 14% from 22,200 tourists in 1981 to 19,000 tourists in 1982. This decline was consistent with tourism traffic generally in Northern Ontario.

The extensive advertising campaign which started in 1978, was continued and broadened to include the Northern U.S.A. which, in part, resulted in a substantial increase in the number of tourists from the U.S. travelling on the Excursion train. Ontario Northland tours utilizing the Northlander and Polar Bear Express continued to be popular. A completely refurbished lunch counter car and a new entertainment car were well patronized.

At Hannah Bay Camp the general economic state resulted in the last hunt period being cancelled because of hunter reservation cancellations. This, together with substantial increases in aircraft costs resulted in a decline in operating profits.

## PASSENGER SERVICES

Passenger traffic in regular train service remained virtually unchanged from 1982, however, an increase of 2.75% was experienced in Northlander carryings, due in part to the Northlander/Polar Bear Express package tours. In anticipation of probable inquiries by the Canadian Transport Commission which regulates passenger train travel in Canada, Ontario Northland in conjunction with its parent Ministry of Northern Affairs increased the intensity of its review of the high cost of subsidies for train travel in Northeastern Ontario. Alternatives to this service, including reduction of service, are under strenuous study and public input is being sought.

## PERSONNEL AND LABOUR RELATIONS

Ontario Northland employees are subject to the wage restraint legislation enacted in 1982 at the Federal and Provincial levels. The most pervasive result was an adjustment to negotiated wage increases and a one year extension of the term of the governing collective agreement through the year 1984.

Initiatives were taken in the establishment of an employee health facility and the appointment of an industrial nurse. An emphasis on first aid training during the year has provided a high level of competence and availability of these important services across the system.

Significant first-time ad hoc adjustments were made to pensions in the course of payment to help pensioners cope with inflation. In addition to other components, these adjustments included the general increase of 4% for the year 1982 to be followed by a similar increase in 1983.

## CHAPTER 9.

### An Act to authorize the construction of the Temiskaming and Northern Ontario Railway.

*Assented to 17th March, 1902*

Preamble. WHEREAS exploration of the Province has shown that in that district of Ontario which lies between Lake Nipissing and Lake Abitibbi and northwesterly from Lake Temiskaming there are large areas of arable land well fitted for settlement and extensive tracts of merchantable pine and other valuable timber and deposits of ores and minerals which are expected, upon development, to add greatly to the wealth of the Province; and whereas the said district is now difficult of access from the lack of railway communication; and whereas an increasing number of settlers are taking up lands in portions of the said district; and whereas it is in the public interest that the said district should be at as early a date as possible, brought into communication with existing lines of railway and that for this purpose a railway should be constructed and operated under the direction and control of the Province from a point at or near the Town of North Bay on Lake Nipissing to a point on Lake Temiskaming, or to a point in one of the townships adjacent thereto;

Therefore His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows: —

Short title. **1.** This Act may be cited as *"The Temiskaming and Northern Ontario Railway Act."*

## THE TEMISKAMING AND NORTHERN ONTARIO RAILWAY COMMISSION.

## 1902

A.E. AMES, *Chairman* ..... Toronto.

EDWARD GURNEY ..... Toronto.

M.J. O'BRIEN..... Renfrew.

B.W. FOLGER..... Kingston.

F.E. LEONARD..... London.

P.E. RYAN,

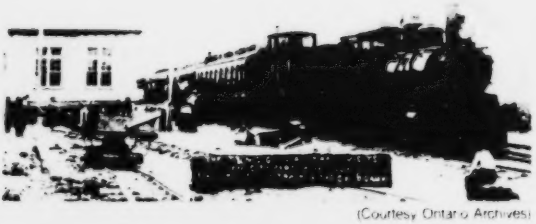
*Secretary-Treasurer*

(Courtesy Ontario Archives)

The realization of constructing a railway north through Northern Ontario was fulfilled when the T. & N.O. Railway Act was given Royal Assent on March 17th, 1902. The "first sod" was turned at the west end of Trout Lake on May 10th, 1902 and construction began on October 14th through what was then considered a difficult and unprofitable country.

Cochrane Station c. 1912 (Courtesy Ontario Archives)

The first discovery of valuable mineral was made at Mile Post 103 in August 1903, even before the railway was completed to New Liskeard in 1905. By 1906 the railway had been extended to Englehart and on November 26th, 1908, steel had reached Cochrane to effect a juncture with the National Transcontinental Railway then nearing the construction stage.



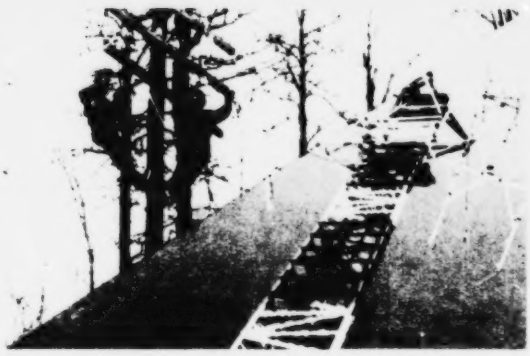
(Courtesy Ontario Archives)

The discovery of gold in the Porcupine area in 1909 prompted the extension of steel to South Porcupine where regular service was established on July 1st, 1911.

(Courtesy Ontario Archives)

Construction North of Cochrane began in 1921 reaching Fraserdale on November 1st, 1923, and from 1928 to 1932 the extension from Fraserdale to Moosonee was carried on in several stages, the last spike being driven on July 15th, 1932, by the Honourable Mr. Justice Latchford, who had officiated at the "first sod" ceremony on May 10th, 1902.

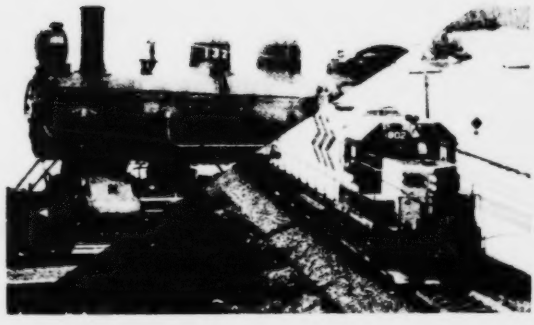
Telegraph lines for train operations and company business were simultaneously erected during the construction of the railway, and eventually were extended to providing public commercial telegraph messages. At present the Telecommunications division provides teletype, radio and audio portions of television micro-wave systems and are integrated with continent-wide communications systems.



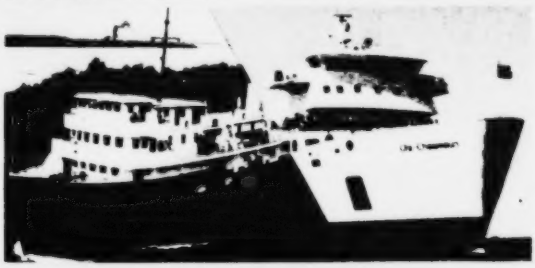
In 1936 a highway service was provided between Iroquois Falls and Timmins to satisfy a public need. Presently our fleet of 18 modern coaches provide scheduled service between all points in Northeastern Ontario and operate escorted motor coach tours to locations and attractions throughout Canada and the U.S.

A change of names was necessitated in 1946 to more correctly reflect the geographic area of our operations and to eliminate accounting problems with the Texas and New Orleans Railway.

Competition and rising costs forced the railways to seek a more economical and efficient power plant for moving trains - the diesel electric locomotive.
Dieselization started in 1946 and in 1957 the "Last Run" of the steam locomotive ended the Era of steam, having been replaced by modern diesel electric locomotives.



To aid the development of tourism, Ontario Northland began marine operations on Lake Temagami in 1944 and on Lake Nipissing in 1945. Present operations boast the 300 passenger vessel Chief Commanda II on Lake Nipissing.

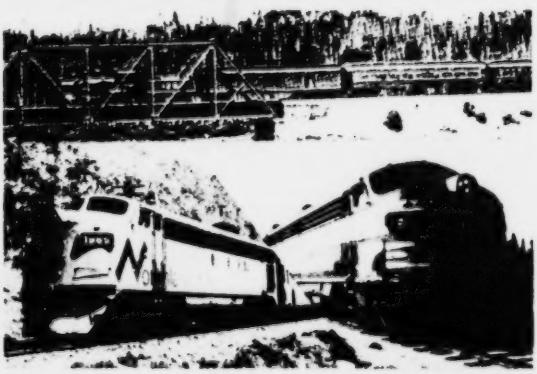


Ferry Service between the Bruce Peninsula and Manitoulin Island was pioneered in 1930 by the Owen Sound Transportation Company. In the late sixties, increasing demands overtook the capacity of the two ferry ships in service and after several years of planning, the M.S. Chi-Cheemaun, in October 1974, entered service, under the control of Ontario Northland. This ship, the largest ever built for service on the Great Lakes can carry up to 140 vehicles and 600 passengers.

The carriage of less-than-carload shipments has been an integral part of Ontario Northland's service to the needs of Northern Ontario residents and businesses alike.

This service was expanded when the operation of Star Transfer, a trucking company, was taken over by the Commission in July, 1960.

Today, the Express Division and Star Transfer continue to provide essential highway services within Northeastern Ontario.



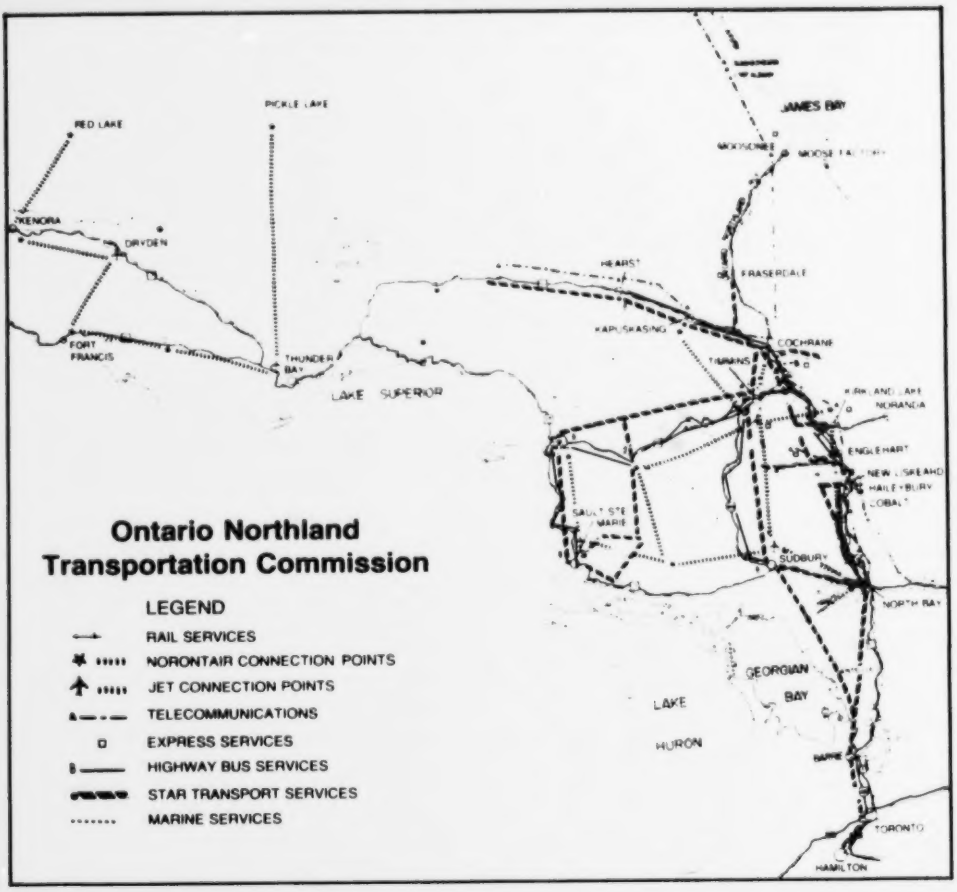

Transportation of people in the early days of development in Northern Ontario was of vital concern and Ontario Northland provided scheduled passenger train service to meet the demand.

This demand is still being served and the Northlander, a European-style passenger train was placed in service between Toronto and Timmins in 1977.

To promote tourism, the Polar Bear Express excursion train commenced operation in 1964 between Cochrane and Moosonee to provide ready access to Ontario's northernmost rail settlement and Moose Factory, one of Ontario's oldest permanent settlements.

Responsibility for norOntair, northern Ontario's regional airline, was assumed by the Commission in 1973 at which time four communities were being served.

Twenty-one communities are now served by its fleet of nine twin-otter aircraft.




# THE ONTARIO NORTHLAND TRANSPORTATION COMMISSION
## 1982

J.W. Spooner, Chairman (Appointed August 7, 1982) ..... Timmins
W.J. Mathews, Chairman (Retired August 6, 1982) ..... Cobalt
P.A. Burns ..... Dryden
N.G. Forth ..... North Bay
L.A. Foucault ..... Espanola
N.M. Karam ..... Cochrane
M.R. Wright ..... Sault Ste. Marie

**Ontario Northland Transportation Commission**

## Consolidated Balance Sheet

as at December 31, 1982

| Assets | 1982 $ | 1981 $ |
|---|---|---|
| **Current Assets** | | |
| Cash and short term investments | **3,300,760** | 17,068,082 |
| Marketable securities at lower of cost and market | **272,830** | 272,830 |
| Accounts receivable | **13,779,643** | 15,286,844 |
| Materials and supplies (note 1c) | **4,844,897** | 4,412,327 |
| Prepaid expenses (note 1a ii) | **122,559** | 122,692 |
| | **22,320,689** | 37,162,775 |
| **Long Term Investments - at cost** | | |
| Government Bonds (Market value $26,175,000; 1981 - $7,161,000) | **23,066,781** | 7,609,379 |
| **Other Assets - at cost** | | |
| Insurance and other funds (Market value $869,000: 1981 - $574,900) (note 1f) | **844,288** | 669,316 |
| Bus Franchises | **297,679** | 297,679 |
| Investment in Telesat Canada | **150,000** | 150,000 |
| | **1,291,967** | 1,116,995 |
| **Investment in Property - at cost** | | |
| less accumulated depreciation (Schedule 1 and note 1d) | **147,297,702** | 135,083,504 |
| | **193,977,139** | 180,972,653 |

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J.W. Spooner, Chairman

P.A. Dyment, General Manager

| Liabilities and Equity | 1982 $ | 1981 $ |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued charges | 21,392,374 | 21,293,233 |
| Debenture payable - current portion (note 4) | 1,937,500 | 125,000 |
| | 23,329,874 | 21,418,233 |
| **Reserves** | | |
| Insurance and other funds | 844,288 | 669,316 |
| **Long Term Debt** | | |
| Note due 2003 (note 5) | 37,500,000 | 37,500,000 |
| Loan from Province of Ontario non-interest bearing | 35,207,935 | 35,207,935 |
| Debenture payable (note 4) | — | 1,937,500 |
| Obligation under capital lease (note 3) | 371,497 | 524,990 |
| | 73,079,432 | 75,170,425 |
| **Province of Ontario Equity** | | |
| Contributed surplus | 14,842,452 | 15,482,503 |
| Retained income | 81,881,093 | 68,232,176 |
| | 96,723,545 | 83,714,679 |
| | 193,977,139 | 180,972,653 |

## AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1982 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting described in Note 1a, applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs.

Toronto, Ontario,
March 31, 1983.

D.F.Archer, F.C.A.
Provincial Auditor.

**Ontario Northland Transportation Commission**

## Consolidated Statement of Income

for the year ended December 31, 1982

| | 1982 $ | 1981 $ |
|---|---|---|
| **Operating Revenues** | | |
| - Commercial (Schedule 3) | **81,649,724** | 79,376,367 |
| - Non Commercial (Schedule 4) | **13,916,251** | 12,690,782 |
| Total Operating Revenues | **95,565,975** | 92,067,149 |
| **Operating Expenditures** | | |
| - Commercial (Schedule 3) | **70,473,974** | 65,008,929 |
| - Non Commercial (Schedule 4) | **31,717,447** | 29,061,087 |
| Total Operating Expenditures | **102,191,421** | 94,070,016 |
| LOSS ON OPERATIONS | **6,625,446** | 2,002,867 |
| Government Reimbursement (Schedule 2) | **19,399,625** | 19,119,455 |
| | **12,774,179** | 17,116,588 |
| **Interest Income (Expense)** | | |
| Interest Expense | **(3,614,393)** | (3,580,546) |
| Interest Earned on Investments | **4,489,131** | 2,467,366 |
| Net Interest | **874,738** | (1,113,180) |
| | **13,648,917** | 16,003,408 |
| Reduction of Marketable Securities to Market Value | **—** | (51,695) |
| NET INCOME FOR THE YEAR | **13,648,917** | 15,951,713 |

## Consolidated Statement of Contributed Surplus

for the year ended December 31, 1982

| | 1982 $ | 1981 $ |
|---|---|---|
| Balance, beginning of year | **15,482,503** | 13,922,319 |
| **Add:** — Northlander trainsets (note 3) | **428,000** | — |
| — norOntair aircraft and associated equipment | **50,276** | 1,518,069 |
| — Capital expenditures of The Owen Sound Transportation Company, Limited | **157,356** | 1,281,735 |
| | **16,118,135** | 16,722,123 |
| **Less:** depreciation charges for the year | **1,275,683** | 1,239,620 |
| Balance, end of year | **14,842,452** | 15,482,503 |

See accompanying schedules and notes to financial statements.

## Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1982

| | 1982 $ | 1981 $ |
|---|---|---|
| **Source of working capital** | | |
| Net income for the year | **13,648,917** | 15,951,713 |
| Add items not requiring an outlay of working capital | | |
| - depreciation expense | **6,116,851** | 5,919,988 |
| - amortization of discount on bonds | **(373,525)** | (27,405) |
| Working capital provided from operations | **19,392,243** | 21,844,296 |
| Proceeds on disposal of property | **648,237** | 718,452 |
| Reimbursement of capital expenditures by Province of Ontario | **635,632** | 2,799,804 |
| | **20,676,112** | 25,362,552 |
| **Use of working capital** | | |
| Addition to investment in property | **20,254,969** | 12,708,433 |
| Purchase of bonds | **15,083,877** | 3,529,000 |
| Reduction of debenture | **1,937,500** | 125,000 |
| Reduction of obligation under capital lease | **153,493** | 133,331 |
| | **37,429,839** | 16,495,764 |
| **Increase (decrease) in working capital** | **(16,753,727)** | 8,866,788 |
| Working capital, beginning of year | **15,744,542** | 6,877,754 |
| Working capital, end of year | **(1,009,185)** | 15,744,542 |
| **CHANGES IN WORKING CAPITAL** | | |
| **Current assets - increase (decrease)** | | |
| Cash | **(13,767,322)** | 7,214,686 |
| Marketable securities | **—** | (51,695) |
| Accounts receivable | **(1,507,201)** | 4,356,935 |
| Materials and supplies | **432,570** | 477,831 |
| Prepaid expenses | **(133)** | 1,045 |
| | **(14,842,086)** | 11,998,802 |
| **Current liabilities - (increase)** | | |
| Accounts payable and accrued charges | **(99,141)** | (3,132,014) |
| Debenture payable | **(1,812,500)** | — |
| | **(1,911,641)** | (3,132,014) |
| **Increase (decrease) in working capital** | **(16,753,727)** | 8,866,788 |

## Consolidated Statement of Retained Income

for the year ended December 31, 1982

| | 1982 $ | 1981 $ |
|---|---|---|
| Balance, beginning of year | **68,232,176** | 52,280,463 |
| Add net income for the year | **13,648,917** | 15,951,713 |
| Balance, end of year | **81,881,093** | 68,232,176 |

See accompanying schedules and notes to financial statements.

**Ontario Northland Transportation Commission**

## Schedule of Investment in Property

**Schedule 1**

as at December 31, 1982

| | 1982<br>$ | 1981<br>$ |
|---|---|---|
| Rail — Roadway | 87,409,957 | 83,184,650 |
| — Buildings | 13,928,162 | 13,915,904 |
| — Equipment | 39,271,705 | 31,987,531 |
| Telecommunications | 45,197,178 | 41,897,941 |
| Buses | 2,328,106 | 2,342,689 |
| Boat | 927,413 | 927,413 |
| norOntair aircraft | 7,947,639 | 7,826,741 |
| Remote North power and communications | 241,326 | 210,889 |
| Star Transfer Limited | | |
| — vehicles | 3,962,246 | 3,947,693 |
| — other | 5,050,905 | 5,050,905 |
| The Owen Sound Transportation Company, Limited | | |
| — vessel | 9,665,356 | 9,515,420 |
| — other | 211,245 | 208,871 |
| Gross investment in property | 216,141,238 | 201,016,647 |
| Less accumulated depreciation | 73,263,974 | 68,986,300 |
| Net investment in property | 142,877,264 | 132,030,347 |
| Under construction | 4,420,438 | 3,053,157 |
| | 147,297,702 | 135,083,504 |

See accompanying schedules and notes to financial statements.

**Ontario Northland Transportation Commission**

## Schedule of Government Reimbursement

**Schedule 2**

for the year ended December 31, 1982

| | 1982<br>$ | 1981<br>$ |
|---|---|---|
| **From Province of Ontario** | | |
| Cochrane - Moosonee branch line | **6,953,179** | 6,489,200 |
| Main line passenger train | **5,463,807** | 5,241,400 |
| Northlander | **3,949,753** | 4,353,714 |
| Remote North power and communications | **261,979** | 272,540 |
| Air services - norOntair | **2,765,216** | 1,344,227 |
| Moosonee ferry | **60,100** | 65,490 |
| | **19,454,034** | 17,766,571 |
| The Owen Sound Transportation Company, Limited (profit) loss | **(54,409)** | 149,760 |
| Total Provincial reimbursement | **19,399,625** | 17,916,331 |
| **From Government of Canada** (note 7b) | | |
| Rail passenger - prior years | **—** | 1,203,124 |
| Total Government reimbursement | **19,399,625** | 19,119,455 |

See accompanying schedules and notes to financial statements.

**Ontario Northland Transportation Commission**

## Schedule of Commercial Operations

**Schedule 3**

for the year ended December 31, 1982

| | 1982<br>$ | 1981<br>$ |
|---|---|---|
| **Rail Freight Services** | | |
| Revenue | **40,337,538** | 41,572,076 |
| Expenditures | **37,486,077** | 33,372,423 |
| Income from Operations | **2,851,461** | 8,199,653 |
| **Express Services** | | |
| Revenue | **1,226,250** | 1,307,757 |
| Expenditures | **1,550,175** | 1,686,515 |
| Loss from Operations | **(323,925)** | (378,758) |
| **Telecommunications** | | |
| Revenue | **28,656,679** | 23,973,306 |
| Expenditures | **19,341,213** | 17,262,706 |
| Income from Operations | **9,315,466** | 6,710,600 |
| **Bus Services** | | |
| Revenue | **3,646,085** | 3,407,883 |
| Expenditures | **3,376,023** | 3,215,132 |
| Income from Operations | **270,062** | 192,751 |
| **Transport Services** | | |
| Revenue | **7,432,685** | 8,813,873 |
| Expenditures | **8,286,632** | 9,094,280 |
| Loss from Operations | **(853,947)** | (280,407) |
| **Marine Services (North Bay)** | | |
| Revenue | **254,871** | 184,094 |
| Expenditures | **352,738** | 284,476 |
| Loss from Operations | **(97,867)** | (100,382) |
| **Tourist Facilities (Hannah Bay)** | | |
| Revenue | **95,616** | 117,378 |
| Expenditures | **81,116** | 93,397 |
| Income from operations | **14,500** | 23,981 |
| **Total Commercial Operations** | | |
| Operating Revenues | **81,649,724** | 79,376,367 |
| Operating Expenditures | **70,473,974** | 65,008,929 |
| Income from Operations | **11,175,750** | 14,367,438 |

See accompanying schedules and notes to financial statements.

**Ontario Northland Transportation Commission**

## Schedule of Non-commercial Operations

**Schedule 4**

for the year ended December 31, 1982

| | 1982 $ | 1981 $ |
|---|---|---|
| **Rail Passenger Services** | | |
| Revenue | **5,316,868** | 4,988,739 |
| Expenditures | **20,085,178** | 19,527,027 |
| Loss from Operations | **(14,768,310)** | (14,538,288) |
| Government Reimbursement | **16,366,739** | 17,287,438 |
| Net Gain from Operations (note 7) | **1,598,429** | 2,749,150 |
| **Air Services (norOntair)** | | |
| Revenue | **4,631,080** | 4,424,771 |
| Expenditures | **7,396,296** | 5,768,998 |
| Loss from Operations | **(2,765,216)** | (1,344,227) |
| Government Reimbursement | **2,765,216** | 1,344,227 |
| | **—** | — |
| **Marine Services (Owen Sound)** | | |
| Revenue | **3,711,777** | 3,117,916 |
| Expenditures | **3,657,368** | 3,267,676 |
| Income (loss) from Operations | **54,409** | (149,760) |
| (Returned to) or reimbursed by Province of Ontario | **(54,409)** | 149,760 |
| | **—** | — |
| **Marine Services (Moosonee)** | | |
| Revenue | **50,841** | 30,166 |
| Expenditures | **110,941** | 95,656 |
| Loss from Operations | **(60,100)** | (65,490) |
| Government Reimbursement | **60,100** | 65,490 |
| | **—** | — |
| **Remote North Communications** | | |
| Revenue | **59,655** | 14,284 |
| Expenditures | **288,654** | 230,973 |
| Loss from Operations | **(228,999)** | (216,689) |
| Government Reimbursement | **228,999** | 216,689 |
| | **—** | — |
| **Remote North Power** | | |
| Revenue | **146,030** | 114,906 |
| Expenditures | **179,010** | 170,757 |
| Loss from Operations | **(32,980)** | (55,851) |
| Government Reimbursement | **32,980** | 55,851 |
| | **—** | — |
| **Total Non-commercial Operations** | | |
| Operating Revenues | **13,916,251** | 12,690,782 |
| Operating Expenditures | **31,717,447** | 29,061,087 |
| Loss from Operations | **(17,801,196)** | (16,370,305) |
| Government Reimbursement | **19,399,625** | 19,119,455 |
| Net Gain from Operations | **1,598,429** | 2,749,150 |

See accompanying schedules and notes to financial statements.

## Notes to Consolidated Financial Statements

December 31, 1982

### 1. Significant Accounting Policies

(a) Basis of accounting

These financial statements are prepared in accordance with generally accepted accounting principles with the following exceptions:

(i) Office furniture and equipment is charged to operations in the year of purchase.

(ii) The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workers' Compensation Board of Ontario. A deposit of $50,000 is held by the Workers' Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(c) Materials and Supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

| | |
|---|---|
| Road - main line and branches | 20 to 200 years |
| Railway diesel locomotives | 25 years |
| Railway freight cars | 33 years |
| Vessel | 33 years |
| Aircraft | 10 years |
| Barges | 20 years |

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transportation and Communications were transferred to the Commission and The Owen Sound Transportation Company, Limited, respectively during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred by the Ministry together with offsetting credits to Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of certain fixed assets initially purchased by the Commission and The Owen Sound Transportation Company, Limited, are credited to Contributed Surplus. Annual depreciation charges on these fixed assets, including the aircraft and the vessel, are recorded as a reduction to Contributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage.

**2. Contributory Pension Fund**

Based on the December 31, 1980 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals $27,207,157. Of this amount $19,443,107 represents the initial unfunded liability as of January 1, 1965, the balance of $7,764,050 represents the balance of the unfunded liability revealed as at December 31, 1978.

The Commission and its subsidiaries are making payments of interest and principal into the fund in accordance with the Regulations under the Pension Benefits Act. These payments have the effect of:

- preventing an increase in the initial unfunded liability;
- liquidating the balance of the unfunded liability over a period ending December 31, 1993.

Payments in respect of the 1980 actuarial review commenced in 1981. The Commission is awaiting the results of an actuarial review at December 31, 1982.

**3. Lease Commitments**

The lease agreement dated October 1, 1976, between the Commission and the Urban Transportation Development Corporation Limited (UTDC) for the lease of four Trans Europ Express - 1 diesel-electric trainsets terminated in 1982. In accordance with the terms of the lease agreement, the Commission exercised its option to purchase in 1982 the four trainsets for $428,000.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing $1,113,138 under a twelve month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 1985. Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with 90 days prior notice, terminate the lease at any renewal date.

**4. Debenture**

This debenture represents partial financing for the construction of the new Toronto Terminal of Star Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the general credit of the Ontario Northland Transportation Commission. The outstanding amount of the debenture is redeemable by semiannual instalments of $62,500 payable through December 30, 1982 and a final instalment of $1,937,500 payable December 30, 1983. Interest is payable on the unredeemed balance at the rate of 10 per cent per annum payable semiannually.

**5. Long Term Debt**

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for $37,500,000 due 2003. Terms of the note require interest to be paid semiannually with annual principal repayments to commence January 5, 1985 at 5.25 per cent of the original principal amount of the note.

**6. Contingent Liabilities**

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged breach of contract. The amount claimed totals approximately $1,300,000. Management is not able to determine the amount of loss, if any, and no provision has been made in the accounts for any possible loss.

**7. Net Gain From Non-Commercial Rail Operations**

The net gain on operations of $1,598,429 (1981 - $2,749,150) represents:

(a) A return on investment of 9.325 per cent ($1,598,429; 1981 - $1,546,026) on the Commission's assets employed in providing rail passenger service. This is in accordance with the Memorandum of Understanding dated October 9, 1980 between the Commission and the Ministry of Northern Affairs.

(b) In 1981 the Government of Canada made a final reimbursement of $1,203,124 for prior years operating losses of the Swastika-Noranda passenger service not reimbursed by the Province of Ontario. This service was discontinued in October 1979.

**8. Star Transfer Limited**

Based on a recommendation by the Board of Directors, the Ministry of Northern Affairs has approved the disposal of the Company. The Board of Directors is negotiating with interested parties for a possible sale.

**9. Comparative Figures**

Prior year figures have been reclassified where necessary to conform to the current year's presentation.

POOR

QUALITY

ORIGINAL